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The American Observer

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

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Various Aspects of Recovery Examined

Despite Long-Sustained Trend Upward, Many Unhealthy Signs Noted by Economists

CRITICISM OF REPORT MADE

New Deal Spokesmen Take Issue With Parts of Brookings Diagnosis and Suggested Cures

It has been a matter of common knowledge for some time that the United States is riding on a tide of recovery. One need not be an economist or a statistician to realize this fact. Month by month, more people have found employment in private industry. In many cities, one sees new houses, apartment houses, factories, theaters, and office buildings under construction where there was little sign of activity for months. Mills and factories which had been idle or working on a part-time basis have again swung into full-time operation. Railroads, which during the depression carried few passengers, are now crowded, and many of them have to add extra sections. Freight cars and trucks are loaded to capacity. The signs of recovery are unmistakable, and if one needs more than his observations to convince him of the reality of improved business conditions, he needs only to glance at the charts which give concrete proof of the upswing that has taken place.

Will Recovery Last?

But it is not so much the fact of recovery that concerns us today as the causes of it and the weak and strong points of the present upward movement. Is the present recovery likely to be permanent, or are we headed for another crash which will throw us back into depression? Are the policies which the federal government has adopted likely to promote economic stability or are they endangering the present recovery? Has the degree of recovery we are enjoying been brought about by "natural" forces, working throughout the world, or has our returning prosperity been induced by such things as government spending? These are questions which are uppermost in the minds of most Americans. Unfortunately, they are questions to which absolute answers cannot be given. Not only do politicians argue back and forth as to the whys and wherefores of recovery, but the most learned economists in the country are frequently in direct opposition in supplying the answers. At best, only tentative answers can be given.

Perhaps the most ambitious attempt that has yet been made to tear the present recovery movement to pieces and analyze its various parts, to locate its weak spots and its strong points, is the study recently completed by the Brookings Institution of Washington and published under the title, "The Recovery Problem in the United States." This study commands special attention not only because the Brookings Institution enjoys the reputation of being one of the foremost organizations of economic research in the country, but also because its studies have in the past had a great influence upon both government and private industry. Its latest investigation assumes a special importance because many of the views expressed are directly in opposition to those of the Roosevelt administration.

With many of the findings of this report, few people could take issue. As to its

(Concluded on page 8)



—Courtesy London Times

NUMBER TEN DOWNING STREET
Residence of the British prime minister and focal point of governmental activity in Britain.

Foolish Consistency

"A foolish consistency," said Ralph Waldo Emerson, "is the hobgoblin of little minds." Much hinges, of course, on the word "foolish," for a reasonable consistency is a worthy object of desire and purpose. One whose acts are capricious, who is guided by no enduring purpose, who is essentially inconsistent, cannot be relied upon. One who changes his opinions with the shifting winds will be without influence. But we too often find people running off at the other end of the bridge. They carry consistency to the point of stupid stubbornness. This interferes not only with their influence but with their own development.

One who sets out on the difficult task of acquiring an education and of becoming broad-minded must give himself a chance. He must seize upon every bit of knowledge he can come upon, and he must make it his own. He must be willing to accept new facts and truths whenever he discovers them. Many there are, however, who do not do this. They refuse to accept and use new ideas because these new ideas conflict with old ones. A person may form and state an opinion. Then he comes into possession of evidence which indicates that his opinion is wrong. But he doesn't want to admit error. He thinks it would hurt his reputation. It would indicate, he thinks, a weakness on his part. So instead of revising his opinion in the light of the new evidence, he goes ahead expressing the old ideas. He rejects the newly found evidence, and sets out to find some other fact which will give support to the position he has already taken. It would be bad enough if by such conduct he merely deceived others. But he deceives himself as well. As a usual thing he does not understand what he is doing. As he goes about industriously looking for evidence to bolster the views he has expressed, he thinks he is studying the problem and becoming better informed. He thinks he is seeking the truth when he is merely trying to find better reasons to support his case.

It is true, to be sure, that one should not change too frequently. To do so is to be fickle. But it is equally true that there can be no progress without change, and that one whose views always remain the same is stagnant and unprogressive. As one proceeds in learning and knowledge he will frequently change his mind. One grows toward wisdom by discarding that which is false or inadequate and substituting that which is true and satisfying. There is probably no greater obstacle to the acquiring of an education than the false and heedless pride that prompts one to ignore facts and opinions merely because their acceptance would require a reorganization of his ideas. One is on the upward road intellectually only if he dares to look truth in the face and to throw off that "foolish consistency," which is the "hobgoblin of little minds."

Britain's Democracy Proves Its Strength

Constitutional System Remains Supreme in Face of Most Strenuous Crises

EXCELLENT CIVIL SERVICE

House of Commons Controls Legislative and Executive Branches; People Have Final Voice

The recent conflict between former King Edward VIII and Prime Minister Baldwin over the king's marriage aroused tremendous interest all around the world. Americans were interested in this conflict mainly because of the drama it involved. For the British, however, it was a serious constitutional crisis, and most of them felt that the outcome was a triumph for their democratic institutions. Why? If we can answer that question, we will have gone far toward an understanding of what the British government is and how it works.

The disagreement between the king and the prime minister became a constitutional crisis because the British feared that the king might not live up to his constitutional obligation to follow the advice of the responsible head of the cabinet. Baldwin, speaking as prime minister, respectfully but firmly told Edward that he must either give up his proposed marriage or his kingship. Because Edward was so popular, it is conceivable that he might have gone over Baldwin's head, have forced a vote in the House of Commons, and, if this went against his wishes, even have brought about a dissolution of Parliament and a new election. Edward, however, had been strictly schooled in the duties and obligations of a constitutional monarch of Britain. Under the British constitution as it now is, he had no legal right to refuse to do what the prime minister "advised." He submitted—and abdicated. This ended the crisis.

The whole affair showed how far political conditions have changed in England since the kings were absolute rulers. Edward VIII, at the time of his crisis, was king of Great Britain, head of the far-flung British Commonwealth of Nations, Emperor of India. Yet plain Mr. Stanley Baldwin, who does not bear even the title of "Sir," but who is the leader of the House of Commons and head of the cabinet, was able to impose his will on this king and emperor. He could do this because the British people, through long centuries of struggle against tyranny, have worked out a form and practice of government which gives them, through their chosen spokesmen, final control of the nation's affairs.

The Constitution

The foundation of the British government is the British constitution, just as truly as the foundation of our government is our Constitution. But the British constitution is very different from ours. It is not written in any single document; much of it is not written at all. It is made up of a vast body of royal decrees, laws passed by Parliament, customs, and precedents which have been built up through the centuries. The Magna Carta is part of the constitution. So is the latest law passed by Parliament; as a matter of fact, any law that Parliament passes automatically becomes part of the constitution. By custom only, not by any written law, all the members of the cabinet must be members of Parliament. Yet this rule now is a vital

part of the nation's constitution. The king is constitutionally the head of the government. But under the constitution he has no effective authority. In no sense is he a chief executive, like the president of the United States. Yet he has a vital place in the British system, as the hub around which the wheel of the government revolves and as the symbol of unity of the empire.

The Parliament

The Parliament, made up of the House of Lords and the House of Commons, is the legislature.

The House of Lords, no member of which is elected by popular vote, has a share in legislation. Formerly, its share was equal to that of the House of Commons, as the Senate's share is equal to that of the House of Representatives in our government; no bill could become law that had not passed both Houses. But the Lords killed so many progressive bills which the Commons wanted, that finally, by the reform act of 1911, the House of Lords was deprived of the right to hold up for more than a month bills relating to money matters which the House of Commons passed, or to delay for more than two years bills of any other kind on which the Commons had voted favorably twice. The House of Lords now, therefore, is not much more than a legislative advisory body. Since the king must sign all laws that come to him from Parliament, the House of Commons now has the final say on all legislation.

This House, the members of which are elected from districts by popular vote, also has direct and exclusive control over the executive branch of the government. This is the cabinet, headed by the prime minister. In this respect, the British system differs radically from ours. The cabinet in effect is simply the executive committee of Parliament, not a separate body like the president and his cabinet in the United States. The British system thus makes no sharp division between the legislative and executive branches of the government, though the judicial branch is independent, like ours.

The Cabinet's Power

From one point of view, the House of Commons rules the United Kingdom (England, Wales, Scotland, and Northern Ireland) and the other parts of the British Commonwealth of Nations, except the dominions which are self-governed. But the prime minister, who chooses the members of the cabinet, is the responsible head of the government on both the executive and the legislative sides. He and the other members of the cabinet decide what laws Parliament is to vote on, and when. As members of Parliament, they take part in the debates on all laws. As the executive officers, they are responsible for carrying out the laws when they are passed by Parliament and signed by the king. They decide the foreign and other policies of the government. As long as it stays in office, therefore, the cabinet has very great power, and since the prime minister controls the cabinet, he is the real center of authority.

But the prime minister keeps his power only as long as a majority in the House of Commons wants him to have it. When a majority votes against any measure backed



PREPARING FOR THE CORONATION
With the pomp and circumstance prescribed by custom, George VI will be formally crowned king next spring. Reviewing stands are now being constructed in London.

by the cabinet, or passes a vote of "no confidence" in the cabinet, the prime minister, and with him the whole cabinet, must resign or ask the king to dissolve Parliament. If he resigns, the king appoints as the new prime minister some other member of Parliament who can command a majority in the House of Commons. If the king dissolves Parliament—as he must when asked to do so by the prime minister—new elections are held and the leader of the party that gets a majority becomes the new prime minister and chooses the new cabinet. The House of Commons directly, and the people indirectly, thus have a constant check on the prime minister to keep him from abusing his power.

The Civil Service

So much for the parts of the British government that appear on the surface: the king, the two Houses of Parliament, and the cabinet. Under the surface, however, is another extremely important part. This is the civil service, whose members actually carry on the administrative work of the government. Since President Roosevelt has made the reorganization of our administrative machinery one of his major projects, it is worth while to study this British civil service briefly.

In Britain, the civil service is a body of men and women—about 300,000 now—practically all of whom entered the service by competitive examinations when they were quite young. The service is so organized and run that it offers good opportunities for advancement to those who have special ability, and it gives permanent jobs to all who get in. The pay also is reasonably good. The civil service, therefore, offers a real and attractive career even to the ablest young men and women. It does not lead to the political cabinet ministerships; no one, in fact, can take a political position and remain in the civil service. But the permanent civil service runs right up to just below the highest offices; the men immediately below the cabinet ministers in the government departments—the so-called undersecretaries—are civil service officers. Only the "policy-forming" officials are political appointees. Necessarily, the ministers, who come and go as cabinets change, depend very greatly on the permanent

officials who have become highly trained experts through long years of service in their fields. Government policy often is determined more by these permanent officials than by the cabinet members, and some of the ablest and most influential men in the British government are members of the civil service.

It is this permanent and entirely nonpolitical civil service which really insures the continuity and smooth working of administration in Britain. Since it was set up in approximately its present form about 70 years ago, it has made a very remarkable record of integrity and efficiency. The assurance of permanence and of opportunity for a worthwhile career attract able young men and women. Adequate ability, training, and experience at the top are secured by taking into the service only carefully selected young people who enter at the bottom and work their way up.

The Parties

Outside the government, in Britain as in the United States, are the political parties. The British party organization is somewhat like ours, but the parties are tied more closely into the government. The head of the party in Britain, for example, becomes prime minister when his party gets a majority in the House of Commons. By custom established over many years, he must be a member of that House rather than of the House of Lords, but he is elected to party leadership by all the active party members, not simply by his fellow party members in the Commons. We would have a comparable system if the party floor leadership in the House of Representatives carried with it headship of the party, if the floor leader were elected by all the party workers, and if he became the head of the national administration when his party had a majority in the House.

Under the British system, furthermore, no matter how influential a man may be in party affairs, he cannot be in the cabinet unless he is a member of Parliament. For all except the members of the nobility, this means that a man who wants to be in the cabinet, or whom his party wants there, must be elected to the House of Commons.

Under our system, this could not always be arranged, since several such men might live in the same congressional district and our rule is that a representative must be a resident of the district he represents. In Britain, however, anyone can be a candidate for the House of Commons in any district, whether he lives there or not. Usually well over half the members of the Commons are not residents of the districts

from which they are elected. This absence of a residence requirement enables the party leaders to get into, or keep in, the Commons practically any man they especially want. If through some "fluke" an especially important man is defeated in the district he represents, it usually is quite easy to get him elected from some other district in a special election. Exactly this happened, for example, to former Prime Minister Ramsay MacDonald. He lost his seat in the House of Commons; a representative from another district which the Labor party controlled resigned; MacDonald "stood for Parliament" in the special election in this district, which was held immediately; he won—and he was back in the House of Commons within three weeks, instead of having to wait until the next general election.

The Elections

The election system in Britain, in general, is like ours. The voting is by secret ballot, and elections to the House of Commons are by direct popular vote. Practically all men 21 or over—and, since 1918, all women 25 or over—have the vote. Some have two votes: one in the district where they live; another in the district where they do business. The British, however, have nothing corresponding to our presidential elections; all the elections, except those for local offices, are to the House of Commons and by districts. Many changes have been made in the past century in the districting for the Commons elections. The last of these provided one district for approximately every 70,000 people.

The legal term for Parliament now is five years. But it usually happens that Parliament is dissolved before the end of the full term and new elections are held. The election campaigns are short; they seldom run more than three weeks. But they are "whirlwind" affairs while they last.

The British use special elections a good deal more than we do. Whenever a member of the House of Commons dies or resigns, what is called a "by-election" is held as soon as possible in the district he represented. Since there are 615 members of the Commons, these "by-elections" come fairly frequently. They give opportunities for the party leaders to get into the House of Commons men they especially want. They also furnish an excellent barometer showing whether public opinion is staying back of the party in power or turning against it.

We in the United States inherited many of our political ideas, and some of our political forms, from the British. But the conditions under which our government was set up, and the differences in the circumstances of political evolution here and in Britain in the past 150 years, have produced governments which today are quite different in many important ways.



THE HOUSE OF COMMONS
From a drawing by Steven Spurrier, (courtesy Illustrated London News).

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AROUND THE WORLD

Japan: At the opening session of the Japanese diet (parliament), the political struggle that had been brewing for months culminated, as had been expected, in a showdown between the political and military factions. Amid stormy debates, colored with insults and challenges of suicide, the government was sharply criticized for its policies in China, its alliance with Germany against communism, and for the increasing taxation these ventures entailed.

At the time of writing, it is not clear whether the military clique has, for the time being, at any rate, been routed. The cabinet was forced to resign. This in itself is something new. Never before, upon such an issue, have the representatives been able to overthrow a cabinet and thus make the new government responsive to their will. Usually in the past, if the diet disagreed with the government, it was dissolved and new elections were called.

This altogether unexpected rebuff of the impetuous army circles was followed by the appointment as premier of General Kazushige Ugaki. Although a former officer in the fighting forces, he has been retired for some years from active service, occupying the post of governor-general of Korea. Moreover, he has been out of sympathy with the aggressive military faction and his associations in recent years have been with the political parties. That his government will not favor the military is also evident from the fact that he was among those marked for assassination by young officers four years ago.

It is true that the new premier's government is dependent upon the army for its continued existence. The army has so far refused to cooperate, so that the existence of the cabinet is endangered. But it is possible that the army circles, realizing the hostility they have aroused, will yield. For one thing, the navy has refused to support them. For another, financial circles in Tokyo have recently refused, pointblank, to advance further loans to the army-controlled railway in Manchoukuo.

* * *

Russia: The development of Soviet Russia has proceeded along lines which were to a large extent determined by the results of struggle between two leaders over a question of policy. At one time, the masters in Moscow were Josef Stalin and Leon Trotsky, working together. But a bitter conflict arose between them. Trotsky was of the opinion that Communists should not remain satisfied with having overthrown the Czarist regime. They must seek to foment revolution in other lands; otherwise, he said, Russia would become the prey of other powers. Stalin, on the other hand, held that it was first essential for communism to become firmly entrenched in a single land. Having gained control of the state, Stalin exiled Trotsky. For years the latter wandered from place to place, expelled from several countries, until last month, when he found a refuge in Mexico.

But the differences between the two men were far from stilled, and the echoes of their struggle resounded in Moscow last week when 17 men, high in the councils of state, were placed on trial, charged with conspiring with Trotsky to overthrow the government. The accused included Karl Radek, most brilliant of Russian journalists, a former ambassador, and others associated with the control of industry. Specifically, they were charged with attempting to restore capitalism, betraying Russia to her implacable enemies, Germany and Japan, and committing acts of



© Wide World

The Russians are completely rebuilding their capital. In years to come this is what it will look like, according to architectural drawings.

sabotage and espionage. Like the trial of last summer, which resulted in the execution of 16 equally prominent men, it had elements of the grotesque and unbelievable. The accused all confessed and heaped calumny upon their own heads.

Though the proceedings were held in public and there were present both foreign diplomats and newspaper correspondents, no observer has yet found it possible to explain with any degree of conviction, the whole affair. The evidence against the accused seemed convincing enough and the public confessions were apparently sincere and truthful, but the plans of the plot were so unpractical that it is difficult to see how intelligent persons, particularly those held under arrest, could have given them serious consideration.

* * *

Czechoslovakia: Another of Germany's eastern neighbors is gradually being drawn into a dispute with her. By spreading reports of Czechoslovak conspiracy with Russia against Germany and by supporting the German fascist party in Czechoslovakia, Hitler seems to be deliberately picking a quarrel.

On the western edge of Czechoslovakia,

which has a total population of about 14,000,000, there live some 3,500,000 Germans, some of whom sympathize strongly with National Socialism and would like to be freed of their political ties with the Czechs. Although the government of Czechoslovakia, under the leadership of such liberals as Masaryk and Benes, has given the minority as much cultural autonomy as possible, the rise of the Sudeten German party under Konrad Henlein has made it necessary to curtail the political rights of the Germans. President Benes believes that true democracy is best served by taking energetic steps to prevent its forceful overthrow by an organized minority.

To rescue the Czech Germans from what he considers unfair oppression has become one of Hitler's next aims. Also Czechoslovakia, although she has no frontier in common with the U. S. S. R., is on the road to Russia. False and exaggerated "news" about Russian secret control of Czechoslovakia have therefore been spread through Germany. Many observers predict from these signs of growing tension between the two countries that Czechoslovakia will soon be the scene of German aggression.

* * *

part with their guns, taking them even to church. Frequently you will see women dressed as men who, because there are no male members left to their line, have taken it upon themselves to settle a blood feud. It is this law of Lek which has also developed in these mountaineers the ability to shout so loud that they can be heard for a distance of three miles. The law provides that either party to a feud may call a temporary truce. Consequently, when any of them would see his enemy at a distance and was not at the time inclined to fight it out, he would announce his truce from a comfortable distance. Now these people can shout with but little effort. In order to prevent the bursting of the drums, they insert their thumbs into their ears.

The Albanian government is now attempting to abolish this custom. By building roads through the mountain passes, it hopes to make communication easier. Every male person, 16 years of age or over, is required to give 10 days' free labor to the state in order to complete these highways.

* * *

Netherlands: Work on the reclamation of land within the Zuyder Zee, the great public project undertaken in Holland in 1927, has progressed so far that one sector of 49,000 acres is already under cultivation. This project, which in some ways resembles the work of the Resettlement Administration in the United States, will not be complete before 1952; the estimated total cost is \$600,000,000.

The construction work and cultivation of reclaimed land will furnish employment to much greater numbers of Dutch than formerly lived by fishing in the Zuyder Zee. Already it has furnished a constructive outlet for Holland's industrial unemployed as well. When completed, the Zuyder Zee reclamation will have created about 600,000 acres of new arable land, increasing the total land under cultivation in Holland by 10 per cent.

* * *

The National Assembly of Estonia will gather in February to frame a new constitution based upon democratic principles. At the present time, Estonia, in common with other Baltic states, is under semi-dictatorial rule. As the result of a referendum, a new constitution, replacing that adopted in 1920, had been framed in 1934, but one month later, martial law had been declared. All political parties are outlawed.



FAMILIAR FIGURES BUT NEW NAMES
Europe's plight in terms of movie characters. In this Amsterdam cartoon, Popeye's spinach can is labeled "propaganda."



© Acme

MAJOR DISASTER

Destruction, which may surpass the damage done by last year's flood, has been inflicted upon the Ohio valley on a terrifying scale. The government has mobilized all resources to guard the safety and health of hundreds of thousands of people.

Roosevelt's Philosophy

Now that the second Roosevelt administration is under way, Congress is getting down to work. Soon the President will begin to send in special messages recommending specific action on concrete measures. To date, his addresses have been general in nature, outlining objectives rather than describing definite measures whereby the objectives might be realized. His pronouncements have nevertheless been important, for they constitute a forceful statement of the purposes and duties of democratic government, from the liberal point of view.

The significance of these addresses as expressions of the liberal or progressive philosophy of government can be better understood if they are compared with the clear-cut and forceful expression of moderate conservatism which characterized the addresses of former President Hoover. Both men feel that great progress has been made in America and both look forward to a future in which prosperity will be more widespread and in which poverty will be abolished or reduced to a minimum. Both think that the result can be accomplished under the American system of government and industry. But Mr. Hoover, in all his statements which touched upon the general theme, emphasized the progress which had been made. Time and again he referred to the relative well-being of Americans; to the fact that there were more automobiles, more radios, more telephones, more miles of railroad in this country than elsewhere in the world; more evidences of diffused wealth and comfort. The inference was that the road we had been traveling was a good road, that we were really getting somewhere, and that if we continued with the same governmental practices, curing abuses here and there but engaging in no drastic experiments, we would do very well. Such is the essence of the conservative position; the position of the public-spirited, altruistic conservative.



© Harris and Ewing

NEW FEDERAL PRISON DIRECTOR

James V. Bennett, who has been appointed director of the Bureau of Prisons of the Department of Justice, succeeding Sanford Bates, who retired.



AMERICAN TALK
—Kirby in N. Y. World-Telegram

the good things of life in even fair measure. To the President that means that things have not been going well enough. It means relative failure of democratic government. If a third of the people are badly underprivileged, it means to Mr. Roosevelt, typical exponent of liberalism, that something is wrong in our industrial life and that it is the duty of government to correct the situation. Democratic government, as distinguished from other governments, must find the road to a better way of life for the people. Government can do that, thinks the President and the liberals, and it must work in that direction. If the old practices of government leave a third of the people in discomfort or despair, then it is time for a bit of experimentation.

But what, specifically will the government do? If a third of the people are badly housed and if the government must assume the responsibility for the development of better housing, what sort of housing program does the President have in mind? He did not answer that question in his inaugural address or in his address to Congress. Neither did he outline a plan by which landless tenants may come into possession of farms. He outlined no concrete program of wage increases. He did not say what he intends to do to provide greater opportunity for the masses during his administration. This has given satisfaction to many conservatives who feel that the administration will be content with a declaration of objectives and that it will be relatively conservative in action. Many liberals are dissatisfied with the President for the same reason.

It is a fact, however, that the primary purpose of such addresses as President Roosevelt has made recently, is to define goals. The definite measures whereby steps are to be taken in the direction of goals are suggested later in separate messages to Congress. A

The Week in the**What the American People Do**

forecast at this time of what the second Roosevelt administration will do would of necessity be premature. For the present it may be said that, by emphasizing the extent of human need in America, by assuming governmental responsibility for the meeting of that need, and by declaring that government must be strong enough to carry through a program of social improvement, the President has thrown into sharp relief the essential features of the liberal philosophy.

An Unusual Demand

John L. Lewis, leader of the movement for the mass organization of labor, and chief figure behind the automobile strike, stirred up a storm of comment and criticism by making a statement in which he practically called upon the President of the United States to help the workers win the strike as payment of his political debt to labor. Mr. Lewis said that last fall the "economic royalists" were fighting to put President Roosevelt out of office; that organized labor went to his rescue; that the "economic royalists" are now at war with the workers, and that the President should come to their assistance.

It may be that President Roosevelt would like to see a settlement of the strike favorable to the workers. He may think that justice is on their side. But if he does, it will be much harder for him to try to bring such a settlement about than it would have been before the Lewis statement was made. Any step the President might take now would be watched closely to see if he were following the dictation of the labor leader. The President has given indication of his determination not to be driven. At a press conference following the Lewis pronouncement he said that "in the interest of peace, there come moments when statements, conversation, and headlines are not in order." This was accepted as a rebuke to Lewis. The President feels, of course, that he is president of all the people and not of any group or class. He is obliged to take all classes into account when he acts, regardless of the support he may or may not have had from them at the polls.

Why, one may ask, did such an astute leader as John L. Lewis make what appears to be such a serious strategic blunder? And, for that matter, why did his opponent, President Sloan of the General Motors Corporation make such a mistake as to imply that his company might not obey the law? He said it would never recognize any union as the sole bargaining agency, yet if the National Labor Relations Board were to hold an election and find that some union had a majority of the workers, the company would be required by law to recognize that union as the only organization with which it could bargain concerning wage contracts.

The reason these men make rash statements is, no doubt, that they are under a terrific strain as they lead opposing forces in a great industrial battle. The strain is both physical and mental and there is little wonder that they sometimes exhibit a lack of poise and judgment.

Flood

With rain and snow still falling in some areas, the latest flood disaster continues to paralyze life in most of the Ohio valley from Pennsylvania to Illinois and Kentucky. Before the waters recede, the lower Mississippi valley will also be seriously affected; some parts of Tennessee are already within the flood zone. Louisville and Cincinnati are the most affected for the moment; in the latter city a fire spread by oil and gasoline floating on the water has added some \$3,000,000 damages. Aside from property destroyed, the total of which cannot yet be estimated, the floods have already made 500,000 people homeless and may give rise to epidemics of disease which will more than offset the good record of relief workers who have so far kept deaths at a minimum. Martial law has been established in a number of places and continued suffering may be the cause of violence in other areas.

The Red Cross is again at work, co-operating with 18,000 PWA workers, Coast Guard, National Guard, army and navy reserves, rescuing, feeding, and attempting to house the victims. But these are at best emergency measures, effective only in relieving suffering caused by floods already beyond control.

After last year's floods, Congress took steps

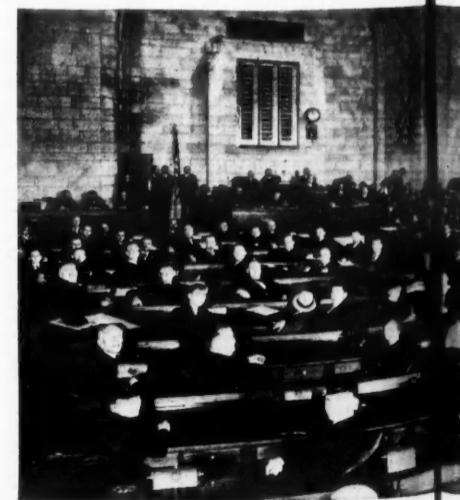


RECORD ASHER
Howard Hughes, who flew from the west to the east coast in 322 miles per hour, a record set by him in his plane.

to provide constructive remedies which would prevent the recurrence of disaster. \$320,000,000 was appropriated for flood control, to be spent in the construction of 200 projected dams. However, other government activities seemed more pressing, and immediate relief took precedence over long-range prevention of floods. While all the dams planned could not have been completed even had work begun at once, some of this year's suffering and loss of property could have been avoided. Perhaps the repetition of disaster will speed this work. Ultimately, too, the flood should give an impetus to the land utilization program of the Resettlement Administration. Dams and floodways can divert water to areas where least damage will be caused, but real conservation can come only through reforestation and re-planting of soil which is now too loose to hold back the moisture. The return of the Allegheny slopes to forest would go far toward stabilizing the flow of water down the Ohio.

Civil Liberties

A subcommittee of the Senate's Civil Liberties Committee, which has been investi-



UNICA
The first meeting of Nebraska's one-chamber legislative two-chamber type of legislature in favor of a bill to see whether it is actually

gating the use of strikebreakers by employer organizations, has heard the testimony of representatives of the National Metal Trades Association and will now go on to testimony from officials of the Chrysler company and

The United States

Doing, Saying, and Thinking

Perhaps from General Motors' representatives as well.

Senator La Follette's subcommittee last week heard about the \$214,928 strikebreaking fund which has been created by contributions of 652 members served by the Metal Trades Association; the money is kept in tax-exempt government securities. Out of this fund the



© Wide World

DRASHER
At the startling time of seven hours and thirty-one minutes he general altitude of 15,000 feet. His monoplane is "Tinged Bullet."

association maintains a force of agents who go into the unionized plants of member companies and attempt to break down the influence of unions there. Many of these agents said, by opponents, to have criminal records; possibly the federal law prohibiting transportation of strikebreakers across state borders has also been violated.

Labor leaders contend that this service is espionage in its worst form, since many agents work secretly under the cover of union membership. Officers of the National Metal Trades Association told the committee that they were helping workers as well as employers to see that their interests really coincided. Strikes hurt workers as well as employers, they said; but they deny that their own organization represents collective employer activity.

R.F.C. Authority Extended

The bill to extend the powers of the Reconstruction Finance Corporation for two years, which was recently passed in the Senate over the objection of Senator Byrd, has now been passed by the House of Repre-



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CAL
held recently. Nebraska has abandoned the traditional. Other states are closely watching the experiment and more economical.

representatives as well. A clause has been included in the bill authorizing the President to curtail the activities of this lending agency before the expiration of two years if private credit seems to be sufficiently plentiful. This par-

tially meets Senator Byrd's objection, which was based not on opposition to the R. F. C. itself, but to the precedent which such action might create for the extension of other and more expensive temporary governmental agencies.

Under the efficient management of Mr. Jesse Jones, the R. F. C., which was established under President Hoover's administration in 1932, has made loans totaling \$6,344,413-566. Of these, all but about one-third have been repaid. As between all governmental relief agencies, the R. F. C. has come closest to being self-supporting. With the progress of recovery, private bank credit will become more plentiful and the R. F. C. will be able to cut down its lending activity. Possibly it may wind up its accounts even before the end of the two-year extension period.

Too Cold

While the eastern states have been having an exceptionally warm winter, and floods have swept through the Ohio River valley at a time of year when normally everything would be frozen, southern California has been struggling with an equally unusual cold spell which already has done a great deal of damage to the orange and other citrus fruit crops. The head weather forecaster for the government's fruit frost service has called this "the most prolonged peril to crops in the history of California." Orchard owners worked desperately night after night keeping smudge fires of coal or oil going on the ground under the trees in an effort to fight off the killing frost. In spite of everything they could do, however, the damage will run close to \$100,000,000, according to reports.

Millions of Photographs

A new use for photographs and for census records has been found in connection with the application of the old-age pension provisions of the Social Security Act. These payments start at 65. But there are sure to be honest disagreements, and probably some falsification about ages. And since Americans have taken only recently to making sure they have birth certificates, how are these disputes to be settled? The Social Security Board decided to go back to the census records. It could not get those for 1890, because these had been destroyed by fire and water. But in 1880 the names of nearly 50,000,000 people were entered in 1,024 volumes of the census in that year, with birth dates. And in 1900, 76,000,000 names were entered on 33,000 cards. Presumably these census records included everyone in the United States when the censuses were taken. The old pages and cards, however, could not possibly stand much handling. So the Board is having the records photographed. The photographs are so small that one role of film less than four inches in diameter will take the 70,000 names in one volume of the 1880 census. When the need arises, these films will be projected on a large screen. Many banks and business houses already are using photographs to record checks and other documents. But special equipment had to be built for this photographing of the census lists.

Centralized Wealth

A very small number of giant corporations do a very large part of the business carried on by corporations in this country and own a large share of the wealth used in business, a report recently issued by the Twentieth Century Fund shows. Almost half of the nation's business is done by private individuals and firms which are not incorporated. But "an enormous proportion of the other half of American business" is in the hands of a few great concerns.

More than half of the corporate wealth of the country is owned by three-twentieths of one per cent of the corporations which report to the government, and six one-hundredths of one per cent of the reporting corporations



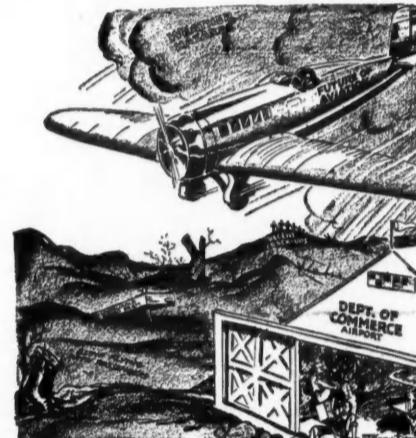
© Acme

THE DEADLOCK CONTINUES
As the month approached its end no solution to the strike in General Motors plants was in sight. This parade of "sit-downers" testifies to the union's determination to organize the entire automobile industry.

SMILES

receive 30 per cent of the total net corporate profits. Corporations with assets of \$1,000,000 and over number only 6.2 per cent of all the corporations that reported profits, but they obtained 79 per cent of the total profits.

On the other hand, 211,586 corporations, with assets less than \$50,000 each, made up 54.5 per cent of the reporting corporations,



ABOUT TIME THE GROUND CREW FIXED UP THE LANDING FIELD

—Doyle in N. Y. Evening Post

but they owned only 1.4 per cent of all the property belonging to corporations. In commenting on these figures, the Twentieth Century Fund's report remarks that "size has a different significance in different industries. In the public utility and transportation fields, which are to a considerable extent under public regulation, it has a very different meaning from what it has in manufacturing, where problems of competition and monopoly are of pressing importance."

Advice to Republicans

Will the Republican party disappear altogether, as the Federalist and Whig parties of the early days of the republic did? asks a writer in the February issue of *Fortune*. He thinks it would be a good thing if it did; good for the country and also good for the Republicans, since they "have not so much left to them as a hall bedroom." The party cannot liberalize itself, the author asserts. But he is not hopeful that the average Republican will take kindly to the idea of liquidating the party. Nevertheless, the writer believes, the country would benefit by the disappearance of the Republican party. He says:

If the Republicans liquidate, the Democratic party will split. And if the Democratic party splits, the split will run along economic rather than along economic-geographic lines and there will be no more Solid South. And if there is no Solid South, the major part of the splitting party will be attracted to the stronger pole. And with Republicans released from their allegiance, the stronger pole will be the conservative pole. Which would mean that the liberal pole would be a truly liberal pole. And United States politics might then quicken with a conservatism that would really conserve, a liberalism that would really oppose. From such a state of affairs there might spring something this country has not yet known in this century, a set of intelligent political principles.

After all the flurry, it must be a comfort to the President to be able to relax in the White House and realize that they are going to carry out his policies instead of his furniture.

—Boston HERALD

People who claim the country is ruined try mighty hard to get control of the wreck.

—Brunswick PILOT

Chiseler—You oughtn't to charge me but half price for cutting my hair when I'm bald.
Barber—Sorry, sir. We don't charge for cutting your hair—we charge for the time we spend hunting for it.

—PATHFINDER

And we often wonder where our janitor gets the ashes he sprinkles on the sidewalk.

—JUDGE

Junior can't understand why he got a "D" in his civics exam, when the teacher asked, "What is the Japanese Diet?" He put down "Rice."

—Boston HERALD

After being out forty years, a book was returned to a Syracuse, New York, library. It would be nice if other libraries gave one enough time to finish best sellers.

—Boston EVENING TRANSCRIPT

The government is putting its gold in a hole in the ground in Kentucky. Now if it only could ship its deficit off somewhere and bury it.

—Jacksonville JOURNAL

You can tell when a woman isn't afraid of her husband. She doesn't mind showing him the fender she crushed on his new car.

—Atlanta GEORGIAN

Leading educator urges colleges to fit men for politics. It may be all right, but we have seen politics unfit any number of college men for anything.

—Sioux City TRIBUNE

Several able observers see no chance of war in Europe. Others have more faith. They believe some kind of misunderstanding can be worked out.

—Atlanta CONSTITUTION



"WE CAN'T THROW ANYTHING AWAY. HE'S A RETRIEVER"

—Wilkinson in Collier's

Historical Backgrounds

By David S. Muzsey and Paul D. Miller

The Economic Decline of the South

THOUGH the closing guns of the Civil War were fired more than 70 years ago, the South has been waging an intense battle ever since. It has been a battle on the economic front, and a losing battle at that. Last week, we discussed a number of the issues in that struggle and showed how they were inextricably interwoven with the war itself. We shall attempt this week to show what were the consequences of the war upon the southern states and the pressing economic problems which today confront that section of the country.

In speaking of the South, we mean the eleven states of Virginia, North and South Carolina, Kentucky, Tennessee, Georgia, Florida, Alabama, Mississippi, Louisiana, and Arkansas. This section has a population of about 25,000,000 inhabitants, or

approximately one-fifth of the nation's total population. The South is essentially an agricultural economy, much as it was in the pre-Civil War days. The prosperity of the section depends upon a few important crops, notably cotton and tobacco, much of which must be exported to

the markets of the world.

Now, it is a significant fact that while the nation as a whole has constantly risen to new heights of prosperity, the South has sunk deeper and deeper into economic stagnation with the passing of each decade since the Civil War. It is the poorest section of the entire United States. Before the depression its annual per capita income was \$365, nearly 50 per cent lower than the national average. More than 60 per cent of the eroded lands of the nation are located in the South. The inhabitants have a greater shortage of milk and other dairy products, eggs, and other foodstuffs than any other section of the country. Farm tenancy is higher in the South than in any other section, reaching approximately 60 per cent of all farmers. From one-fourth to one-half of the products raised by these tenant farmers must be paid as rent, and the credit charges eat up another fourth of the income.

The abject poverty of the South has naturally kept it in a state of backwardness. It has the highest birth rate of the nation and consequently the largest number of children to educate. Because of the racial problem, funds for educational purposes must be divided between the white and colored schools. In order to attain the national average of expenditures for education, the southern states would have to use the bulk of their revenue from taxation. Mississippi, for example, would have to use more than 99 per cent of its tax revenue in order to come up to the national average.

During the course of the depression, the South has fared worse than other sections of the country. The income of the southern farmers fell 36 per cent from the 1924-1928 average, as compared with only 14 per cent for the farmers of the other states. Thus it can be seen that, from whatever standards measured, the South has undergone a process of gradual and severe economic decline ever since the close of the Civil War.

Causes of Decline

Many superficial observers have attributed this position of economic inferiority to such things as climate, a high ratio of Negroes, general backwardness of the people. It should be obvious to anyone who is familiar with the facts that such a judgment is entirely erroneous. Before the Civil War, the South had attained a degree of culture unsurpassed by any other

section of the country. We must seek elsewhere for the fundamental causes of the disintegration. Peter Molyneaux, a careful student of economic trends in the South, has given a brilliant analysis of these causes. In his pamphlet, "What Economic Nationalism Means to the South," he declares:

The fundamental cause of the relative economic inferiority of the cotton states is not directly or indirectly, any congenital inefficiency of their people. It is not the climate, or malaria, or hookworm, or pellagra, or anything of that kind. Some of these present real problems, but solution of these problems would be comparatively easy if the fundamental cause were removed. The fundamental cause may be stated in a sentence as follows: For over a century more than half of the people of the cotton states have depended for a living, either directly or indirectly, on the production of export commodities, chiefly cotton, and have sold their products at a world price level, while residing in a high-tariff country in which a relatively high domestic price level has been artificially maintained. This is not the whole story, to be sure, but it is fundamental. For the moment I state it merely as a fact, without argument. As I proceed I shall note other factors which have contributed to the South's economic inferiority. But even if none of these factors had been present, these two circumstances, (1) that the production of cotton for export has been the chief business of the people of the South for more than a hundred years, and (2) that during practically all that time the United States has maintained a high-tariff policy, would have resulted in a condition of relative economic inferiority for the people of the South.

The essential weakness of the South's economic position has long been apparent. Up to the Civil War, 80 per cent of the total production of cotton was sold abroad, and even in 1929, a greater percentage of our cotton output than of any other single commodity entered the export trade. Being forced to sell cotton at a world price, the cotton grower would have to buy in markets unprotected by a tariff in order to enjoy economic stability. That condition has not prevailed, and consequently much of the South's wealth has been drained and the entire section has continued to decline. This policy has acted as a heavy tax burden upon all the states of the region.

A New Program

Until the Roosevelt administration, practically nothing was done to lift the South from the slough of poverty into which it had sunk deeper and deeper. There were, to be sure, the efforts of the Hoover Farm Board to boost the price of cotton by artificial measures, but this experiment failed to correct the basic difficulties. The Roosevelt administration has taken the initial steps in a program which may ultimately have far-reaching consequences upon the future economic and social development of the South. Through the Tennessee Valley Authority, the federal government is working on a large program of regional planning, affecting seven of the southern states. While the activities of the TVA in power production have received the major attention, its attempts along other lines to improve the well-being of the inhabitants of the valley are of equal importance. It is encouraging the development of new industries, is carrying on a significant program of soil conservation and reforestation, and in many other ways is trying to cope with the basic economic problems of the region. Another important step will have been taken when the federal government attacks the problem of tenancy, as it is likely to do during the second Roosevelt administration.

The position of economic inferiority of the South today constitutes one of our greatest public problems. That region is the weakest link in our entire economic chain, and until it is strengthened, the whole nation will suffer. For that reason, the experiments already begun and those contemplated for the future assume a vital significance.



FROM A DRAWING BY JAMES DAUGHERTY IN "THEIR WEIGHT IN WILDCATS"

Among the New Books

Consumers' Bible

"Cooperative Democracy," by James Peter Warbasse (New York: Harper & Brothers. \$1.50).

WITH justice, since its author has been among the leading spirits of the co-operative movement in America, has this volume been termed the Bible of consumers. It argues, with telling force, the proposition that if we in this country wish both to preserve our democratic form of government and yet abolish the evils arising inevitably from a system which places profits above human comfort, then we must hasten to organize co-operative associations. In addition to this purely theoretical discussion of the movement, Mr. Warbasse discusses at length the beginnings of co-operation and the extent to which it has spread throughout the world.

Chekov

"Anton Chekov: The Voice of Twilight Russia," by Princess Nina Andronikova Toumanova (New York: Columbia University Press. \$3).

WHEN the short-story writer and playwright Anton Chekov was born, in 1860, Russia was in decay. An era had destroyed itself, spent its strength, and was waiting wearily for another to arrive. Men wanted some shelter of spirit and mind; but, too exhausted to seek it, they began to look upon the world as a dim sad cavern. Miss Toumanova sketches this setting for the biography of Chekov; and she shows how the circumstances of his life made him particularly fitted to depict that setting.

By combining his personal experiences with an observation made keen by his scientific studies, Chekov became the voice of twilight Russia. His characters all carry their burden of sorrow. They are silent and brooding, misunderstood, craving pity. They regard the world a dreary, confused

labyrinth, a fortress of indifference and loneliness. And they seldom, if ever, note that the world is peopled with gay human beings.

They Were Giants

"Their Weight in Wildcats: Tales of the Frontier," by James Daugherty. Illustrated (Boston: Houghton Mifflin Company. \$3).

THE tales in this volume have been gathered from various sources by Mr. Daugherty and illustrated by him with drawings that are matchless for their portrayal of the sometimes crude, but always colorful figures of early American history. It is unfortunate that literate America, when it does not scorn, displays utter indifference to the literature born out of the pioneer age. Yet, as this collection bears witness, we have in those who trudged across mountain and plain to new lands; watched at lonely outposts; who fought valiantly, if not always righteously, against the Indians; in the fur-traders and lumberjacks; in the trappers and the mountebanks the very stuff of high romance and poetry. In Mike Fink one finds the typical Mississippi boatman, a tough, savage fighter who could sheer the scalp-lock off any redskin's head. "Six months and no fight," he was wont to say, "would spile me worse than a 'tack of rheumatism.'" John Chapman, for one, cannot fail to remind the reader of those troubadours of Provence; they wandered from one court to another and he trudged from settlement to settlement, carrying on his shoulder a sack of apples seeds which he would cast here and there. There is, too, the legend of Paul Bunyan and his Babe the Blue Ox. These and many other characters, whether true or legendary, reveal, as the prefatory note to this volume so well puts it, the joyful strength and shameless extravagance of America in her Heroic Age.

Research with Camera

"Picturing Miracles of Plant and Animal Life," by Arthur C. Pillsbury. Illustrated (Philadelphia: J. B. Lippincott Co. \$3).

APSE-TIME photography is the technique of recording upon a film, so that they can be seen within a few moments, those processes of growth in plant and animal life which actually require days or weeks to occur. The flower opens its buds slowly, eluding the human eye; but the camera, driven by a motor, patiently watches its complete development. There is thus disclosed a new scientific horizon and he would be bold, indeed, who dares set a limit upon the knowledge it may contribute to the still mysterious facts of living. Among the pioneers of this intriguing photography is Mr. Pillsbury and in this volume he describes in detail how he has gone about his researches and what he has discovered. The reader will learn much that he has probably not even suspected.



ANTON CHEKHOV



Will President Roosevelt's second administration be more conservative than his first? Origin of the terms "right" and "left" during French Revolution. Shifting shades of political opinion.

THESE three imaginary students will meet each week on this page to talk things over. The same characters will continue from week to week. We believe that readers of THE AMERICAN OBSERVER will find it interesting to follow these discussions week by week and thus to become acquainted with the three characters. Needless to say, the views expressed on this page are not to be taken as the opinions of the editors of THE AMERICAN OBSERVER.

John: I notice that the papers are speculating a great deal about whether President Roosevelt will go toward the right or the left during his second administration. I know in a general way what those terms mean, yet I'm not very clear about the exact meaning.

Mary: The left is the radical side, and the right the conservative. When you say that someone is going toward the left, you mean that he is becoming more liberal or radical, and if you say that he is going toward the right you mean that he is becoming more conservative. Communists and socialists are far to the left, while the parties representing big business interests are usually on the extreme right. Between these two are many variations. When people speculate as to whether President Roosevelt will go toward the left or the right, they are really inquiring whether he will become more liberal or more conservative. If he becomes more liberal or goes to the left, we may expect him to advocate further legislation to regulate business, to increase the wages of labor, to give the farmers a larger income, to encourage the labor unions to acquire more power, and so on. If he moves toward the right, he will not advocate new legislation, but will be content to rest largely on the record of his first administration. Such is the general meaning of the terms "right" and "left." I do not know how these meanings originated.

Charles: I can tell you that. They date back to the French Revolution. At one stage of the Revolution—while it was just coming on—the king decided to break it up, so he locked the doors of the hall in which the National Assembly had been meeting. When the members of the assembly came the next morning to attend the session, they couldn't get in, so they went to another meeting place. The seats, of course, hadn't been assigned, so when they filed in, the different party groups naturally sat together. The nobles and higher clergy, the ones who supported the king and who opposed any reforms, happened to go over to the right side of the hall. Those who insisted upon sweeping reforms, upon taking a part of the king's power away and establishing a constitutional monarchy—action which was considered very radical at the time—took their places at the opposite side of the hall. The moderate parties, which wanted to make reforms in the taxing laws, but didn't want to disturb the power of the king, occupied the middle ground between these two extremes. In all the future sessions of the assembly and the other legislative bodies during the French Revolution, the more extremely radical

parties sat on the left, and the most conservative parties sat on the right of the chamber.

After a while the temper of the whole Revolution became more radical. The king's closest friends were entirely eliminated, so that on the extreme right there was no longer a party which opposed all reform. The most conservative party, then, was the group which previously had sat in the center, those who favored moderate reforms. On the extreme left, however, had developed a faction which insisted upon doing away with the monarchy altogether. But however the changes developed, the most conservative group, the ones who favored the least change in the economic and political order, sat on the right; while the most democratic elements, those representing the most extreme demands for more power in the hands of the common people, those who wanted to change the economic system most drastically, in other words, the ones who were most radical, sat on the left.

That same division has been found since that time in every legislative body of continental Europe. The group which insists on going farthest in the way of changes designed to benefit the poorer classes sit on the left, while those who represent most nearly the wealthy classes, and who are most opposed to changes in the economic and political system, sit on the right, as they face the chairman. That is why we speak of the left when we mean radicals and the right when we mean conservative groups.

Mary: If there are communists in a parliament, or congress, or other legislative body, do they sit on the extreme left of the chamber?

Charles: Yes, the communists, as they face the chair, sit at the left. Next to them are usually socialists, who favor public ownership of property, but who do not want to bring about socialism by violence. Next to the socialists there are usually parties representing laborers and farmers who want legislation favoring those classes but who would not abolish private ownership of capital. In the center, there are parties of various grades of liberalism who want some reforms but who would not go very far. As one proceeds toward the right, he usually finds conservative parties, which oppose further restrictions on business, which favor employers rather than workers, and oppose efforts to increase wages. Next to them, on their right, will be reactionary parties which would move backward and take away from the common people some of the privileges which they already have. At the extreme right one frequently finds fascist groups which would like to establish a dictatorship operated in the interests of the wealthy classes.

Mary: The parties in the United States are not seated in Congress and the state legislatures in that way, are they, with the most radical parties on the left as they face the chair, and the more conservative parties on the right?



A GREAT TRUST
—Homan in Owensboro (Ky.) Messenger

Charles: No, that seating arrangement does not prevail in our Congress, nor in the British Parliament. It isn't to be found, either, in our state legislatures. The reason is perhaps that we have not divided politically into radical as against conservative parties. We have always had small radical groups, such as the communist party and the socialist party, and sometimes we have had conservative groups. The Liberty League is such an organization, though it is not a political party. But the major parties, the Democratic and the Republican, are not formed that way. In each of the parties there are both conservatives and liberals and perhaps a few radicals. During the Roosevelt administration, of course, there has been some tendency to divide on liberal-conservative lines. The New Deal is distinctly liberal, and those who follow the President, though not on the extreme left, are toward the left. But among the senators and representatives in Congress today, there are many Democrats who are far over to the right in their social and economic views.

Mary: Now we come back to the question which John referred to at the beginning of our discussion. Will the second administration of President Roosevelt go toward the left or the right?

John: It seems to me that the President has already given indication of going further to the left. Perhaps I am prejudiced, because I will admit that I personally am a conservative, but the policies which Mr. Roosevelt announced in his inaugural address and his address to Congress sound almost radical to me. He says that the workers must have higher wages. He insists that farm tenancy shall be wiped out or reduced, and he speaks of the bad housing conditions and seems to imply that the government must do something to wipe out the slums and give the people better housing. Now the government will have to take pretty drastic action if it adopts laws which will result in higher wages. Just how it will do that I don't know, but a regulation of industry which would force employers to pay higher wages to the workers would be extreme action by the government. It will also take a sweeping program of governmental action to adopt a plan whereby the farmers who now live on rented land may be made the owners of their farms, and we all know that it will be a very radical and drastic step if the government steps in and supplies houses to the several million

families that are now living in the slums.

Charles: But how do you know that the Roosevelt administration is going to do anything of that kind? Personally, I wish it would, for, as you probably know, I myself am pretty far to the left, but frankly, I am discouraged at the prospect. It seems to me that the President is turning conservative. He speaks of the need for higher wages and a better system of farm ownership and better housing, but he doesn't lay down any plans whereby those objectives may be reached. On the contrary, he says definitely that he thinks the Constitution doesn't need to be changed, and we all know that as the Constitution now stands Congress is unable to take sufficiently drastic action to force employers to pay higher wages, or to put farms into the hands of landless farmers, or to build houses for the poor. Perhaps you noticed that there were expressions of approval from conservatives all over the country after the President delivered each of his messages. They were pleased to know that he didn't propose to amend the Constitution, for they knew that if there should be no amendment there could be no decisive reforms in governmental policies in the interests of the common people.

Mary: Speaking as one who is neither very far to the left nor to the right, but who occupies middle ground, I will say that in my opinion we must wait to see which way the President is going to go. He has outlined a very liberal program. It means something; in fact, it means a great deal for the President of the United States to call attention to the evils of low wages, tenant farming, and poor housing. It means a great deal for him to name these as the great problems before the American peo-



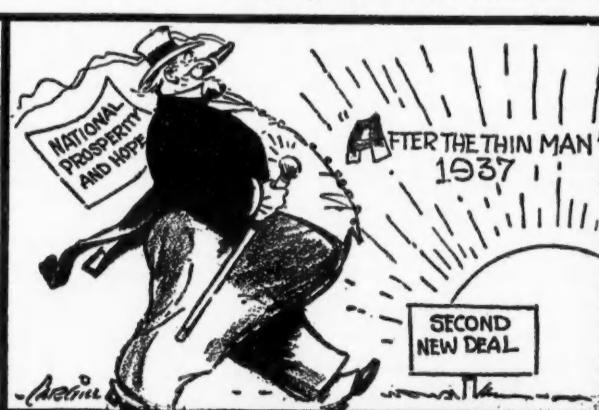
THE BLIND DATE
—Elderman in Washington Post

ple. Surely he wouldn't do that if he didn't intend to do something about the problems. It isn't the purpose of an annual address to Congress or an inaugural address to outline programs of action in detail. That will come later. The present is not the time to pass judgment one way or the other, but to watch developments.

SOMETHING TO THINK ABOUT



SPEAKING OF MOVIES



—Cargill in Chattanooga Times

1. On what points does the Roosevelt administration take issue with the Brookings Institution's report on recovery?
2. Do you think government regulation of business is necessary in order that policies conducive to economic progress and stability may be adopted?
3. Do you believe that an unbalanced budget constitutes a threat to recovery?
4. In your opinion, is the British system of government more democratic than the American? Why?
5. How is the British cabinet constantly kept in line with the wishes of Parliament?
6. Explain the essential differences between the Hoover and the Roosevelt philosophies of government and business.
7. To what causes do you attribute the economic disintegration of the South?
8. What is meant by the "left" and the "right" as political terms? How did their use originate?
9. Do you believe that John L. Lewis was justified in calling upon the President to pay his political debt to labor?



"THE BALANCE BETWEEN AGRICULTURE AND INDUSTRY HAS BEEN MATERIALLY IMPROVED"
(Studies for murals by Richard Zellner for the lobby of the Hamilton, Ohio, Post Office. Courtesy "Art in Federal Buildings, Inc.")

The Favorable and Unfavorable Factors in Recovery

(Concluded from page 1)

diagnosis of the causes of the depression, there is little room for argument. Principal among these causes were the maladjustments resulting from the World War. For years, economic activities, such as manufacturing and commerce, were supported by loans—loans by the United States to help the Allies in their programs of reconstruction and loans to Germany to keep the economic machinery of that country from tottering to the ground. The whole structure was built on foundations of sand and the collapse was inevitable.

U. S. Peculiarities

Thus placed in its world background, the situation in the United States requires special attention because of its peculiarities. There were two conditions which made impossible the continuation of the prosperity of the late twenties. In the first place, certain industries, such as the automobile and the building, were expanding at such a rapid pace that their level of production could not be sustained without important adjustments. The second condition is ever more important because it relates to the entire picture of the depression. During the 1920's income in the United States was showing a decided tendency to become more and more unequally distributed. The income of two great classes, workers and farmers, failed to increase at all or to increase as rapidly as the total income of the nation. At the other end of the scale, salaried officials and those whose incomes were derived from profits mounted at a disproportionate rate.

This is a central fact, without an appreciation of which it is impossible to understand either the depression or the present recovery. Because the great consuming public failed to receive a sufficiently large share of the national income, all the goods produced by farm and factory could not be sold. Surpluses accumulated. On the other hand, the higher income groups received so much that they continuously sought new investments. "The flow of funds into investment channels was greater than businessmen could use under the existing conditions in building additional plant and equipment," the Brookings report contends.

So much for the essential background of the depression. On the question whether policies inaugurated by governments have been responsible for recovery or, on the other hand, have hindered it, the authors give no conclusive answer. Recovery does not correspond with the extent to which governments have intervened by spending money or by launching other policies. The significant fact is that every country did adopt policies designed to stem the tide and produce an upturn.

Healthy Signs

In looking at the recovery picture in the United States, the Brookings economists see a number of healthy signs—signs which point to a continuation of the present movement—and a number of unfavorable factors which may interfere with continued progress. We shall consider first the favorable signs.

1. Because of a number of causes, some of the results of governmental policy, there is at present an abundance of funds which may be borrowed at low rates of interest.

This money is adequate to meet the demands of industry for loans to finance expansions of plant and equipment.

2. Private debts have been greatly scaled down. Recovery from past depressions had always awaited such an adjustment, which has generally come through bankruptcies, mortgage foreclosures, and other means of reducing the private debt burden. In the present case, the reduction has resulted from a number of causes, not the least of which is the policy of the government in taking over part of the private debt burden at lower rates of interest.

3. In general, the purchasing power of the working class has increased since 1933. Wages have increased more than prices, so that workers have made considerable gains.

4. American agriculture and industry have been brought into greater balance, partly through the government's agricultural program, partly through the drought, and partly through the normal process of recovery.

5. Through legislation bolstering the banking system, the confidence of depositors has been restored. Moreover, the uncertainty with respect to the currency has been removed, thus enabling businessmen to proceed without fear of further tampering with the monetary system.

6. Through the leadership of the United States government, the channels of international trade are gradually being opened. "The trade agreements . . . are eliminating uneconomic restrictions and barriers

part of the New Deal recovery program.

While there are fewer items on the debit side of the recovery ledger, the authors consider them to be of fundamental importance and of such nature as to threaten the whole recovery movement. First among these is the unbalanced budget of the federal government. Resolute action should be taken "in curtailing wasteful and unnecessary federal expenditures." If the government's financial stability is not insured there is danger of a serious price inflation. This danger is increased by the abundance of investible funds. Unless extreme caution is exercised, there may be widespread speculation with the resultant crash, just as there was in 1929.

Labor Policies

The Brookings report sees serious danger to the recovery movement in the policies which organized labor has adopted. It is opposed to the shortening of the work week, feeling that such a move would cause an increase in the costs of production and thus a price rise which would throw the whole economic machine out of balance. Likewise, it feels that great care should be used in drafting legislation designed to regulate industry. Ill-conceived legislation might have the result of creating great confusion and uncertainty, thus retarding the recovery movement.

One of the most discouraging factors in the present situation is the instability which exists throughout the world. Not only are

been taken, and it is over them that heated controversy is likely to arise in the future.

Concrete Steps

In the first place, the federal budget should be balanced in order to insure the government's credit and to prevent inflation. Secondly, the attempt should be made to stabilize the world's currencies in order to promote world trade. Thirdly, the reciprocal trade agreements program should be further encouraged. Fourthly, mass purchasing power should be increased by means of price reductions, enabling all consumers to buy more goods and services. The fifth point deals with hours of work and recommends that, in most cases, the present hours of labor be maintained. Otherwise, it will be impossible to produce sufficient quantities of goods to raise the standard of living of the American people. As a fundamental policy, declares the sixth point, output of agricultural and industrial products should not be restricted, either through governmental action or private initiative. Higher standards of living can be attained only by increasing production.

Part of the diagnosis and many of the recommendations run directly counter to the opinions and philosophy of the Roosevelt administration. In the first place, it is contended that a large measure of the recovery we are enjoying is due to the spending program of the last four years. Without the vast sums that have been paid to farmers, to the unemployed, and the flow of funds into the channels of trade through the building program, mass purchasing power would not have increased sufficiently to push the recovery movement forward. Members of the administration also take issue with the Brookings Institution on the question of a balanced budget. They argue that in times of depression, the government should spend heavily in order to provide the purchasing power necessary to keep industry moving, running in debt if necessary. As business improves, the government can tax more heavily and pay off its debts. Such a program would serve as a brake to prevent a runaway speculative boom and thus tend to iron out the ups and downs of the business cycle.

The Roosevelt administration is opposed to the report on the question of wages and hours of work. The President has insisted that wages must be increased as one means of raising mass purchasing power. He has also favored shorter hours for workers. Through these devices, he hopes not only to provide reemployment to most of the jobless but also to effect a redistribution of the national income which is held to be essential to industrial progress and economic stability.

Many liberals, not necessarily spokesmen for the Roosevelt administration, have criticized the Brookings report on the ground that it represents a strictly conservative approach to our economic problems; that it advocates a program of doing practically nothing, of letting nature take its course. They claim that the report outlines a course of action which industry should adopt but that it disregards the important historical fact that industry has never followed such a course in the past and that it never will in the future unless the strong arm of government is used to compel it to adopt policies which will promote general stability.



—From a cartoon by Strube, courtesy Washington Post
"MENTION MUST BE MADE OF HIGHLY UNSTABLE ELEMENTS IN THE INTERNATIONAL SITUATION"

and are thus clearing the way for a renewed expansion of international trade."

7. There is such a deficiency of the so-called durable goods as to create a great deal of business activity for a number of years. During the depression, few additions were made to plants, little new equipment was added, few repairs were made. To make up this deficiency will cause great industrial activity.

8. Many of the difficulties of the government's recovery program have been ironed out, and the whole program is now more consistent than during the earlier stages. There is no longer the working at cross purposes which once characterized a large

there the gigantic armament programs which governments are carrying out at the risk of threatening their financial stability, but the possibility of a general war must be taken into account. "The threat of new wars not only forecasts the possibility of renewed wealth destruction, but also constitutes a barrier to the reestablishment of constructive international economic policies."

That, in the judgment of the Brookings Institution, is the balance sheet of recovery. What concrete steps does it think should be taken to insure further advancement and to prevent reaction? It is with some of these recommendations that serious issue has